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FISCAL IMPACT REPORT

ORIGINAL DATE 1/24/06

SPONSOR Boitano LAST UPDATED _____ HB _____

SHORT TITLE Public School Volunteer Income Tax Credit SB 32

ANALYST Francis

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY06	FY07	FY08		
(94.0)	(188.0)	(188.0)	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files
 Public Education Department (PED)
 Taxation and Revenue Department (TRD)
 Albuquerque Public Schools (APS)

Responses Received From

Public Education Department (PED)
 Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of Bill

Senate Bill 32 provides a \$200 credit against the personal income tax (PIT) for tax filers who are 55 years or older and cannot be claimed as a dependent by another tax filer and who have volunteered at least 120 hours at a public school during the tax year. The taxation and revenue department (TRD) will create a certification to be completed by the public school.

FISCAL IMPLICATIONS

SB32 creates an additional tax credit against the personal income tax for volunteer service at local public schools. Current estimates of the over 55 population are 428,356 (US Census Current Population Estimate 2004). According to the Bureau of Labor Statistics, 27.5 percent of Americans over 55 years old volunteered at some point during a 12 month period from September 2004

to September 2005. Twenty-six percent of Americans volunteered for educational programs and 38 percent volunteered for more than 100 hours. Accordingly, there is a maximum of 11,638 volunteers over the age of 55 who volunteer for more than 100 hours for an educational or youth service activity in New Mexico.

According to the Albuquerque Public Schools district, they have 660 volunteers for a community of 480,000. Extrapolating this number to the whole state yields a likely 2,475 volunteers. If 38 percent volunteer more than 100 hours, this means 940 volunteers are eligible for the credit which would cost \$188 thousand per taxable year. In FY06, this would mean reduction in income tax revenues by \$94 thousand and \$188 thousand for FY07 and each subsequent year.

SIGNIFICANT ISSUES

This bill adds a new credit to the personal income tax structure and will require TRD or PED to develop a certification process to validate claims. With such a large commitment, it is uncertain that this credit will act as an inducement to volunteering with the public schools if that is the intent. If the credit is meant to reward people who are already volunteering, there may be better ways than through the tax system. Since the number of volunteers is likely to be small, the cost of administering the program through TRD may outweigh any benefits.

PED:

- The bill limits the income tax credit to taxpayers 55 years of age or older.
 - o This provision may preclude parents who commit to volunteering in schools from realizing the benefit of the tax credit.
 - o Equal protection challenges with regard to the age limitation may be raised.
 - o The bill will place administrative requirements on schools in providing the necessary certifications.
 - o Inasmuch as the bill provides that the required 120 hours of volunteer service must be performed during the taxable year, schools will be required to maintain verifiable documentation and provide certifications across school years.
 - o The bill does not establish accountability parameters for the certifications.

ADMINISTRATIVE ISSUES

The Public Education Department (PED) reports that the bill will cause administrative burdens due to providing the certifications and establishing guidelines and procedures for certifying volunteer time.

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